AAA NOTEBOOK

This book aims to make available in a brief and concise form information concerning the farm problem and the provisions of the AAA program. From time to time as new and additional information is compiled, supplemental pages will be available for this loose-leaf binder.

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PURPOSE OF THE AAA FARM PROGRAM

Conservation of the nation's soil resources is the first purpose of the AAA farm program. The 1938 Farm Act seeks:

1. To prevent waste of soil fertility.
2. To provide for an orderly, adequate, and balanced flow of farm products in interstate and foreign commerce.
3. To help farmers obtain their fair share of national income.
4. To help consumers obtain an adequate and steady supply of foods and fiber at fair prices.

Overproduction is one of the largest causes of soil destruction. It wastes soil through unused harvests and through needless exposure to erosion. The AAA emphasizes means for avoiding it.

Balanced production and guaranteed supplies through the Ever-Normal Granary are direct steps in soil conservation. A farmer who grows more soil-depleting crops than he can sell at a fair price robs himself of his capital; he wastes his soil fertility and his labor.

ABUNDANCE

The Ever-Normal Granary of the AAA Farm Program aims at continuous and permanent abundance.

(1) The provisions call for yearly supplies of wheat, cotton, corn, tobacco, and rice large enough for domestic and export requirements and for normal carry-overs.

(2) Shifts to soil-conserving crops mean a potential production reserve for emergencies, -- an Ever-Normal Granary of soil fertility.

(3) Crop insurance for wheat protects farmers against crop failure and protects consumers against exhorbitant prices.

(4) The general public is protected against artificial as well as actual shortages. Marketing quotas can be proclaimed only when supplies are large, and commodity loans will be available only when accumulating stocks threaten price collapse. The Granary cannot be used to take unfair advantage of consumers.

The Ever-Normal Granary means orderly marketing of an abundant production at fair prices to both farmers and city buyers.

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WHY A WHEAT PROGRAM

Acreage has been high--When the first AAA wheat program was invalidated by the 1936 Supreme Court decision farmers were without effective means of balancing wheat production against requirements. For 1937 and 1938 farmers seeded wheat on more acres than ever before.

Production is up--Good weather and excellent yields brought from this record acreage in 1938 a crop of 931 million bushels, the fourth largest on record.

Exports are limited--U. S. wheat exports during the World War years averaged nearly three times as much as the average of the last 10 years.

Consumption remains stable-Per capita consumption is about the same as it has been.

The situation is that production has increased tremendously but consumption has not. This situation means continued surpluses and low prices unless farmers cooperate to meet the problem. The AAA program provides a way for this cooperative action by farmers.

THE SUGAR BEET PROGRAM

The Sugar Beet Program is authorized by the Sugar Act of 1937. The Chief purposes of the Act are to protect the welfare of consumers of sugar and of those engaged in the domestic sugar-producing industry, and to promote United States export trade.

The Act directs the Secretary of Agriculture to determine each year, on the basis of certain standards, the total amount of sugar needed for domestic consumption. The initial amount determined for 1939 is 6,832,157 short tons, raw value, which is the quantity of sugar that may be marketed in the United States during the year.

The Act specifies that 55.59 percent of domestic sugar requirements is to be furnished by domestic producing areas, and the remainder by the Philippines, Cuba, and other foreign countries. Approximately 42 percent of the domestic area allotment is to be supplied by United States sugar beet farmers.

The Act provides for an excise tax of 50 cents per 100 pounds, raw value, on both domestic and imported sugar.

TOTAL 1939 BEET ACREAGE ALLOCATIONS

Sugar beet allocations for 1939 total 1,030,000 planted acres. (The average acreage planted to sugar beets in the 10-year period 1929-38 was 847,000 acres; in 1938 there were planted 989,000 acres.)

The national sugar beet acreage allocations have been distributed among the various producing districts on the basis of past production and ability to produce, with slight adjustments to take care of new and small producers and certain other special conditions.

The allotments (proportionate shares) will be distributed to farms by committees of sugar beet growers.

The local administration of the Sugar Beet Program, with the exception of the distribution of proportionate shares to farms, is under the direction of the county agricultural conservation associations. Local administrative expenses are deducted from producers' payments.

PAYMENTS TO BEET PRODUCERS

The Sugar Act authorizes conditional payments to producers at a basic rate of 60 cents per hundred pounds of sugar, raw value. This is equivalent to an average payment of $1.90 per ton of sugar beets produced in the United States.

The Act also provides a form of partial crop insurance by permitting payments to producers for abandonment of planted sugar beet acreage and for crop deficiencies of harvested acreage.

The conditions a producer must meet in order to earn payments generally involve elimination of child labor (other than that of the immediate members of the producer's family), payment of fair and reasonable wages, prevention of soil erosion and the preservation and improvement of soil fertility, marketing of more than the farm's proportionate share of the quota of the area in which it is located, and, if the producer is also a processor, payment of fair and reasonable prices for sugar beets purchased from other producers.

HOW AAA MEETS THE FARM PROBLEM

The AAA farm program meets the farm problem in many ways. It is as flexible and as responsive to local situations as possible while remaining at the same time a real national program.

The main parts of the program in the Western Region:

SOIL BUILDING PRACTICES -- which improve soil fertility and prevent erosion.

ACREAGE ADJUSTMENT -- which conserves the soil by avoiding growing of unsaleable crops.

CROP INSURANCE -- to guaranantee farmers wheat to sell every year through Ever-Normal Granary reserves.

STORAGE LOANS -- to give farmers funds to enable them to hold surpluses off the market.

SURPLUS BUYING FOR RELIEF -- to increase domestic consumption by giving surpluses to the needy.

EXPORT SALES -- to keep for the U. S. its fair share of the world market.

MARKETING QUOTAS -- to hold surpluses off markets, when a two-thirds majority of growers approve.

ALLOTMENTS AND CONSERVATION

The AAA program aims at conservation in two ways:

(1) Through soil-building practices which return fertility already used and which prevent soil erosion.

(2) By adjusting soil-depleting crops to requirements in order to prevent wasting fertility by producing surpluses nobody wants.

This adjusting is done through acreage allotments. A total national soil-depleting acreage allotment is established large enough to produce all the soil-depleting crops needed for domestic consumption, exports, and a safe reserve.

One part of this total allotment is the "general acreage allotment" for general crops, such as oats, barley, rye, etc. (in area "A".)

Another part are the acreage allotments for special crops, such as wheat, corn, etc. These special allotments are the acreages estimated as needed to produce enough of the crop for domestic needs, exports, and a safe reserve.

Compliance with acreage allotments is voluntary.

HOW ALLOTMENTS ARE ESTABLISHED

The NATIONAL acreage allotment for any crop is established by the Secretary on the basis of prospective needs for domestic consumption, exports and reserves during the coming year. That is, the total production needed in bushels or pounds is divided by average yields to obtain the national allotment in acres.

This allotment is then divided among the STATES and COUNTIES on the basis of previous acreage planted to that crop in that state or county, with adjustments made for abnormal weather conditions, trends, and for participation in previous AAA programs. Thus each state and county gets its fair share of the national allotment.

County allotments for wheat and corn are apportioned to individual FARMS on the basis of tillable acres, crop rotation practices, type of soil and typography. Thus the share of the national allotment each farm receives takes into account the amount it has been producing in the past as well as the amount that it should supply if operated on a sound, soil-conserving basis.

SOIL BUILDING

Soil building is a major aim of the AAA conservation program.

The program encourages soil-building practices with soil-building payments. It sets up a soil-building goal for each farm, expressed as a number of units of soil-building practices suitable to the particular farm.

For each completed unit, the farmer receives a payment of $1.50. Seeding one acre of annual sweet clover counts as one soil-building unit, for example, and construction of 200 feet of terrace counts as one unit.

The payments available for soil-building practices on a farm in Area A equal: 50 cents for each acre of cropland in his farm not included in his total soil-depleting allotment, plus certain amounts for his non-crop open pasture land, and any commercial orchard or commercial vegetable allotment he may have.

HOW AAA COOPERATORS BENEFIT

For cooperating fully in the 1939 AAA Farm Program to conserve the soil and adjust supplies, a farmer can earn:

1. Conservation payments on his special allotment crops, such as wheat or corn.
2. Price adjustment or "parity" payments to supplement his income from certain special allotment crops.
3. Payments for adjusting the acreage of his general crops, such as oats, barley and rye, in Area A.
4. Payments to help carry out soil-building practice.
5. Corn, wheat, and cotton loans as authorized by the 1938 Farm Act.

In addition, he will be eligible for Federal crop insurance on his wheat. Most important of all, general cooperation in the entire program will stabilize supplies and prices of all farm products.

COMMERCIAL AREAS

"Commercial Area" or "Commercial County" designations are made in the AAA program in order to confine the operations of special-crop provisions to areas that will help promote the program's objectives.

The commercial-area provisions make it unnecessary to administer the program for a special crop where the crop is secondary and unimportant.

Areas which normally produce a commodity on a commercial basis which may contribute to a surplus problem for that commodity may be designated a "commercial area".

The four special soil-depleting area designations in the 1939 program are corn, peanuts, potatoes, and vegetables.

The commercial area provisions, which include the establishment of an acreage allotment, are intended to stabilize acreages of crops.

Producers in the designated areas who do not exceed their acreage allotment for the special crops, and who fulfill other soil conservation requirements, will receive conservation payments on the normal yields on their allotments, and parity payments on wheat, cotton and corn.

HOW MARKETING QUOTAS OPERATE

Marketing quotas enable farmers to cooperate to control marketings of certain crops when large supplies threaten the market.

When supplies reach specified high points a national marketing quota is proclaimed, but before any quota becomes effective two-thirds of the producers voting in a referendum must approve it. For 1939, cotton farmers have voted for quotas, but tobacco and rice farmers rejected them.

Each farmer's marketing quota represents his share of the marketings needed for all domestic requirements, exports, and for a safe reserve.

Under quotas whatever a producer sells over his quota is subject to a penalty, but a producer with more than his quota may store the excess on his farm under a commodity loan.

To protect the Government the Farm Act prohibits loans if quotas are proclaimed and then voted down.

WHEAT LOANS

Wheat loans help establish the Ever-Normal Granary.

Under the Farm Act, AAA cooperators can get loans in years when the crop is large, or the price low.

The loan rate is discretionary between 52 and 75 percent of the parity price. Country market rates are calculated from basic terminal rates with diferentials for freight and handling.

The loans are intended to help the farmer hold wheat for any possible better later price, but not to peg prices. Although some have sought high loan rates, the AAA believes it sounder to make reasonable loans on export crops, allowing the crop to move freely to market, and to help producers through payments.

Wheat loans were late in 1938, but with a year's experience, subsequent loans can be made promptly.

Loans are available to cooperators whenever offered. Noncooperators are eligible when there are quotas, but only on their excess supplies and at lower rates.

Wheat loans to December 15 totalled $34,594,361 on 58,808,519 bushels.

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CROP INSURANCE

Crop insurance for wheat guarantees participating farmers some wheat to sell every year, regardless of crop losses.

Through this program, the wheat industry as a whole, rather than the individual grower, carries the burden of crop losses.

Wheat farmers may insure either one-half or three-fourths of their average yield of wheat.

Premiums are in terms of bushels of wheat per acre, and are carried by the Federal Crop Insurance Corporation in actual wheat in bonded storage.

The wheat in reserve is for only one purpose: To pay crop losses of insured farmers. The reserve cannot be reduced except to pay losses. It is outside of marketing channels and cannot be used for price manipulation.

However, the reserve acts as a vital part of the Ever-Normal Granary in maintaining a more stable supply of wheat. Because of this service in the public interest, the Government pays administrative and storage costs.

PAST AND PRESENT FARM PLANS

Equalization Fee Plan

McNary-Haugen bills of 1924, 1927 and 1928

The exportation of agricultural surpluses to be sold at prices lower than those obtained on the domestic market is a plan characteristic of many of the price raising proposals which have been suggested for the benefit of agriculture since the early 1920's the first widely known proposals to embody this idea were the original McNary-Haugen Bill of 1924 and the vetoed bills of 1927 and 1928. The method in all three of these bills consisted mainly of disposing of surpluses abroad at a loss which was to be absorbed by the farmers themselves through the collection of an equalization fee. The plan later proposed an increasing tax or equalization fee in proportion to the surplus in order to provide a brake on overproduction.

PAST AND PRESENT FARM PLANS

Export Debenture Plan

McKinley-Adkins bill, 1926

Jones-Ketcham bill, 1928

This plan also proposed to raise farm prices by disposing of agricultural surpluses abroad. It differed from the Equalization Fee Plan, in that it provided for the use of tariff revenue to pay export subsidies on these surpluses. In other words, losses incurred in moving surpluses onto the foreign market would have been made up out of Federal Treasury funds rather than through the equalization fee tax on farmers. The special device from which the plan took its name was the payment of these subsidies with debentures rather than with cash. The debentures were to be acceptable in the payment of customs duties.

The rate of subsidy was to be made flexible -- that is, the larger the surplus, the smaller the subsidy -- as a provision to curb over-production.

PAST AND PRESENT FARM PLANS

Domestic Allotment Plan

Hope-Norbeck bills, 1932

The Domestic Allotment Plan originally proposed a system of certificates enabling producers to sell on the domestic market -- at protected prices -- that portion of their crop normally consumed in this country. The surplus was to be exported without subsidy. In later form it also provided for some production control, with benefit payments paid on the domestic allotment out of the proceeds of a processing tax. That also was one of the methods used in the invalidated portion of the Agricultural Adjustment Act of 1933.

PAST AND PRESENT FARM PLANS
Agricultural Adjustment Act of 1933

The Agricultural Adjustment Act of 1933 provided for adjusted production of seven major commodities which were considered as being produced in surplus quantities -- wheat, corn, cotton, hogs, rice, tobacco and dairy products. Benefit payments were derived from processing taxes and paid on a voluntary production contract between the Government and each cooperating producer.

PAST AND PRESENT FARM PLANS
Soil Conservation and Domestic Allotment Act of 1936

During 1934 and 1935 sentiment was growing to place more emphasis on soil conservation in the national farm program. With the invalidation of the Act of 1933 on January 6, 1936, that theory was rapidly brought to the foreground and became the underlying principle of the Soil Conservation and Domestic Allotment Act of 1936. That Act is still in operation, in a strengthened and amended form serving as the basis for the Agricultural Adjustment Act of 1938.

Under this Act benefit payments are made to producers out of general treasury funds for shifting from such "soil-depleting" crops as cotton, corn, wheat, tobacco, to such "soil-conserving" crops as grasses and legumes. This Act in its original form offered only limited production adjustment, and following the good growing season of 1937 surpluses again appeared and farm prices declined in 1938.

CURRENT ALTERNATE PROPOSALS

Cost of Production or Price Fixing

In general these plans would require the Government to determine the average cost of production of agricultural commodities. The Government would then fix this as the minimum price at which agricultural commodities could be purchased for domestic consumption. Buying agricultural products at less than this fixed price would be forbidden by law.

Certain variations of this plan would also provide for a type of ever-normal granary and for the regulation of foreign trade through tariff adjustment so as to safeguard the interest of the consumers as well as the producers.

CURRENT ALTERNATE PROPOSALS

Modified Domestic Allotment Plan

Plans of this type would utilize the country-wide allotment system as has already been established by the Government. Under this system a domestic production quota would be set up for each individual farm in terms of bales, bushels and pounds, rather than acres.

The farmer would be paid a subsidy equal to the difference between the current market price and the parity price established under the present Act on that portion of his crop going into domestic consumption. There would be no restrictions on plantings. Proponents of this type of plan offer two methods of financing such a program. One group would have the subsidy paid out of general Treasury funds; the other group would use a system of processing taxes collected on finished products just before they moved into consumption.

WHEAT EXPORTS AND IMPORTS

The United States' wheat trade is on an export basis.

Last year the U. S. exported 100 million bushels of wheat and has a program to export just as much this year.

In only four years since the Constitution was signed has the United States been a net importer of wheat for human consumption. In three of these years, 1934, 1935 and 1936, due to shortage on account of drought and rust, our wheat imports, temporarily, were above normal. But last year, after the 1937 crop, we resumed our export position and sold 100 million bushels of United States wheat abroad. Imports were about half a million bushels.

Practically no wheat is now being imported, either for human or livestock consumption.

For the five years prior to the drought and rust years 1928-32, the average annual imports of milling wheat and flour were 41,000 bushels.

All wheat imported for human consumption pays a duty of 42 cents a bushel.

Wheat imported for livestock feed, which is unfit for human consumption, pays a tariff of 10 percent of its money value.

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WHEAT EXPORT PROGRAM

During the 1938-39 marketing season, the United States is acting to hold our fair share of exports for American wheat farmers around 100 million bushels.

World wheat trade has shrunk and competition increased since the World War, but this program is in operation to keep for U.S. farmers as big a share of the market as they have had in past years.

Under this program, the Federal Surplus Commodities Corporation buys wheat at the market price, or directly from eligible farmers at the wheat loan rate, and resells this to wheat exporters at a price which will let them meet world competition. Up to December 10, export sales for the year totalled about 70 million bushels.

This emergency program was made necessary by policies of other exporting nations which subsidize their wheat exports. It is hoped that an international wheat agreement may eventually solve the problem.

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TRADE AGREEMENTS AND THE AAA

When there is unlimited production of any agricultural commodity, or when domestic or foreign demand or both is limited, surplus often accumulates.

Should additional over-production come when a surplus already exists, and demand continue limited either at home or abroad or both, the situation may become acute.

This surplus problem requires sound measures for increasing market outlets for farm products.

Through negotiating trade agreements the United States is seeking to reopen foreign outlets for both farm and factory products. The careful readjustment of our own tariffs downward encourages trade and induces other nations to lower duties and thus permit an increase in our agricultural exports.

When U. S. factories sell more abroad, employment and payrolls increase and there is an increased domestic demand for farm products.

Under the Farm Act, efforts are being made to enable agriculture to produce for both domestic and foreign markets and at the same time guard against destructive surpluses.

LIVESTOCK PRODUCERS AND THE AAA

Livestock producers, whether actively cooperating in the AAA program or not, are vitally interested in the Ever-Normal granary and the more stable prices which the AAA offers.

Hard times for the western sheep and cattle producers result from wide fluctuations in Corn Belt grain supplies. Large grain supplies and low grain prices mean a rush of range livestock to Corn Belt feedlots. Soon grain supplies are greatly reduced and livestock prices go down. Then as grain prices strengthen farmers market corn on the cash market and the demand for feeder stock is reduced. Both producers and feeders suffer during the recurring cycle.

Dairymen are even more directly interested in the grain price stabilizing effects of the AAA. Low grain and meat prices cause many cash grain farmers to go into more dairying. The hard times of the early 30's saw one of the greatest increases in dairy cow numbers on record. A stabilized grain supply with reasonable prices is the dairyman's best protection.

DAIRYING AND THE FARM PROGRAM

Dairy farmers have been helped materially by several parts of the Farm Program.

Low grain and meat prices are the biggest threat to the dairy industry. They bring the grain farmer and livestock feeder into the dairy business. Through stabilizing grain supplies and prices the AAA conservation program helps protect dairymen from unnecessary expansion in dairying such as occurred in 1929-1933.

From October 1933 through 1938, approximately $40,000,000 worth of surplus dairy products were bought in Federal surplus-removal programs for relief distribution.

Through Federal loans the Dairy Products Marketing Association undertook an extensive price-stabilizing program and the fall of 1938 had 114 million pounds of butter stored for later sale.

Milk marketing agreements affecting approximately 1,200,000 dairy farmers, two of which are on a national basis, one in operation.

Over 2,300,000 diseased cattle have been removed from herds under Federal disease eradication programs since 1934. Indemnity payments for these cattle total nearly $54,000,000.

THE CONSUMER AND AAA

The city worker is more than a passive user of finished agricultural goods. He is a partner with the farmer in the country's business life. He takes farm goods, not just to eat and wear, but to process, distribute, and transport, and to combine with other materials to produce industrial goods.

Every nonfarm worker draws upon agriculture for two kinds of materials: One kind for immediate personal use, and the other kind for use as raw material in his own employment.

The nonfarm worker depends on agriculture as a market. From him the farmer buys machinery, fertilizer, transportation, building supplies, as well as newspapers, magazines, books, and motion pictures.

The consumer needs more from agriculture than just a supply of low-priced commodities. He needs the farmer as a customer.

The consumer has an interest in the farm as a going concern.

DOES AAA MEAN SCARCITY?

Farmers wonder why they of all people should be accused of scarcity.

From 1929 to 1934, for example, industry's "plow-up" of production was greater than that of agriculture. Factory production in industries using non-agricultural raw materials in 1934 had decreased 42 percent from the 1929 level. For the same period the volume of factory production using agricultural raw materials was down only 15 percent. Industry's "plow-up" of production in non-agricultural industries during the period was 27 percent greater than that of industries using agricultural products.

In 1937 farmers' production of their 53 leading crops was 13 percent above the 1923-32 average and 7 percent greater than in the previous record breaking year 1931. In 1938 it was 5 percent above the 1923-32 average. Can this be called "scarcity"?

The new Farm Act provides for nearly double the carry-overs of corn and wheat that have been customary in the past.

The farm program is one of balanced abundance and not a scarcity program.

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AAA AND IRRIGATION

Many people ask why the Government fosters both irrigation and crop programs.

Helping farmers transfer from hazardous dryland to dependable irrigated areas is justified social and economic policy. Recent reclamation policy emphasizes production for home use. In 1936 approximately half the acreage cropped on Federal projects was in hay and forage crops.

In 1937, after 35 years of Federal reclamation, land in crops receiving water from Federal projects totaled 3,043,000 acres, less than 1 percent of the national crop acreage. This included 1,342,072 acres irrigated by private projects. About 17,000,000 acres of other crop-land were irrigated in 1937 by States or privately.

The only new land brought under irrigation by Federal projects during the past 5 years was on projects authorized and started before 1933.

Many Federal enterprises such as Grand Coulee are also built for power and navigation purposes.